

Annexure II
NISM-Series-V-A: Mutual Fund Distributors Certification Examination
Test Objectives (w.e.f March 31, 2020)

Unit 1: Investment Landscape

- 1.1 Describe about Investors and their Financial Goals
 - 1.1.1 Importance of Investments
 - 1.1.2 Know the Financial Goals
 - 1.1.3 Compare Short term needs and Long Term Goals
 - 1.1.4 Know the Financial Goals, Time Horizon for their achievement and Inflation
- 1.2 Understand Savings and Investment
 - 1.2.1 Factors to evaluate investments
- 1.3 Discuss Different Asset Classes
 - 1.3.1 Real estate
 - 1.3.2 Commodities
 - 1.3.3 Fixed Income
 - 1.3.4 Equity
- 1.4 Understand the classification of Investment Risks
 - 1.4.1 Inflation Risk
 - 1.4.2 Liquidity Risk
 - 1.4.3 Credit Risk
 - 1.4.4 Market Risk and Price Risk
 - 1.4.5 Interest Rate Risk
- 1.5 Explain Risk Measure and Management Strategies
- 1.6 Understand Behavioral Biases in Investment Decision Making
- 1.7 Understand Risk Profiling
- 1.8 Explain the Asset Allocation
- 1.9 Comparison between the two approaches - Do-it-yourself and Taking Professional Help

Unit 2: Concept & Role of a Mutual Fund

- 2.1 Explain the concept of mutual fund
 - 2.1.1 Understand the Role of Mutual Fund
 - 2.1.2 Understand the investment objectives of mutual funds
 - 2.1.3 Understand the Investment Policy of Mutual Fund
 - 2.1.4 Understand the important concepts in mutual funds
 - 2.1.5 List the advantages of mutual funds for investors
 - 2.1.6 List the Limitations of mutual funds for investors
- 2.2 Understand the classifications of mutual funds
 - 2.2.1 By the structure of the fund
 - 2.2.2 By the management of the portfolio
 - 2.2.3 By the investment universe
 - 2.2.4 Explain in detail the SEBI categorization of Mutual Fund Scheme
- 2.3 Describe the Growth of the mutual fund industry in India

Unit 3: Legal Structure of Mutual Funds in India

- 3.1 Describe the structure of mutual funds in India
- 3.2 Understand the key constituents of a Mutual Funds
 - 3.2.1 Know about the Role of Sponsor
 - 3.2.2 Know about the Board of Trustees
 - 3.2.3 Know about the Mutual Fund Trust
 - 3.2.4 Understand the role of Asset Management Company
 - 3.2.5 Know the importance of Custodian
- 3.3 Understand the organisation structure of Asset Management Company
 - 3.3.1 Know the Risk and Compliance Function
 - 3.3.2 Know about Fund Management
 - 3.3.3 Know about the operations and customer services team
 - 3.3.4 List the role of Sales and Marketing team
 - 3.3.5 Know about the other functions (HR function, Finance function, Administration function and Information Technology function)
- 3.4 Understand the role and support functions of service providers of mutual funds
 - 3.4.1 Explain the role of Fund Accountant
 - 3.4.2 Know the importance of Registrar and Transfer Agent
 - 3.4.3 Explain the Responsibility of Auditor
 - 3.4.4 Explain the importance Role of Distributors
 - 3.4.5 Know about Collecting Bankers / Payment Gateway/Aggregators
 - 3.4.6 Know about the role of KYC Registration Agencies
 - 3.4.7 Know about Valuation Agencies
 - 3.4.8 List the role of Credit Rating Agencies
 - 3.4.9 Know about Depositories and Depository Participants (DPs)
 - 3.4.10 Know the stock exchanges and transaction platforms for investors
- 3.5 Explain the Role and Function of AMFI

Unit 4: Legal and Regulatory Framework

- 4.1 Describe role of regulators in India
- 4.2 Discuss role of Securities and Exchange Board of India
 - 4.2.1 Describe Regulatory reforms by SEBI
 - 4.2.2 Know the important provisions of Mutual Fund Regulations
 - 4.2.3 Explain the investment restrictions and portfolio diversification norms for mutual fund schemes.
 - 4.2.4 Know the Important provisions pertaining to SEBI Advertisement Code and Guidelines for Mutual funds
 - 4.2.5 Describe Investors rights and obligations
- 4.3 Know the Due Diligence process followed by AMCs for distributors of mutual funds
- 4.4 Explain Investor Grievance and Redressal standards (Explain about SCORES)
- 4.5 Understand AMFI Code of conduct for Intermediaries
 - 4.5.1 Know the AMFI Code of Ethics
 - 4.5.2 Know the AMFI Code of Conduct for Intermediaries of Mutual Funds

Unit 5: Scheme Related Information

- 5.1 Understanding the Mandatory Documents and their purpose, objective and significance
 - 5.1.1 Explain Scheme Information Document (SID)—Content, Objective, relevance
 - 5.1.2 Explain Statement of Additional Information (SAI)—Content, Objective, relevance
 - 5.1.3 Explain Key Information Memorandum (KIM)
 - 5.1.4 Explain Addendum
 - 5.1.5 Discuss the regulatory provisions governing the mandatory updation of scheme document
 - 5.1.6 Discuss Other Mandatory information / disclosure
- 5.2 Explain the Non-Mandatory Disclosures

Unit 6: Fund Distribution and Channel Management Practices

- 6.1 Explain the role and importance of mutual fund distributors
- 6.2 Understand the classification of mutual fund distributors
 - 6.2.1 Explain about Individual players
 - 6.2.2 Explain about Non-individual entities.
- 6.3 Explain the modes of distribution
 - 6.3.1 Know about Online Channel Partners
 - 6.3.2 Know about Stock Exchange Platforms
 - 6.3.3 Know about MF Utility (MFU)
 - 6.3.4 Know about Computer-based & Mobile-based Apps offered by distributors
 - 6.3.5 Know about Electronic platforms created by the AMCs
- 6.4 Understand the Pre-requisites to become Distributor of the Mutual Fund
 - 6.4.1 Explain the Procedure for getting empanelled as a mutual fund distributor with AMC
- 6.5 Explain Revenue for a mutual fund distributor
 - 6.5.1 Define Concept of Trail Commission
 - 6.5.2 Discuss Additional commission for promoting mutual funds in small towns
 - 6.5.3 Explain the transaction charges
 - 6.5.4 Understand Applicability of GST on distributors commission
- 6.6 know the Commission Disclosure mandated by SEBI
- 6.7 Explain the Due Diligence Process by AMCs for Distributors of Mutual Funds
- 6.8 Discuss Nomination facilities to Agents / Distributors and Payment of Commission to Nominee
- 6.9 Explain about change of distributor

Unit 7: Net Asset Value, Total Expense Ratio and Pricing of Units

- 7.1 Discuss the Fair Valuation Principles
- 7.2 Compute net assets of a mutual fund scheme and NAV
 - 7.2.1 Understand the Net Assets of Scheme
 - 7.2.2 Understand the Net Asset Value (NAV)
 - 7.2.3 Understand the concept of Mark to Market
 - 7.2.4 Understand the Total Expense in Mutual Fund Scheme.
- 7.3 Explain about Dividends & Distributable Reserves
- 7.4 Know about the Concept of Entry and Exit Load and its impact on NAV
- 7.5 Know about the Key Accounting and Reporting Requirements applicable to mutual funds

Unit 8: Taxation

- 8.1 Understand Applicability of various taxes in respect of mutual funds
 - 8.1.1 Income from investment in mutual fund units
 - 8.1.2 Income earned by mutual fund schemes
 - 8.1.3 Income earned by the investor from investment in mutual fund units
- 8.2 Understand about Capital gains, Capital gains (Long term & Short term) tax and Indexation.
- 8.3 Understand about the Dividend Income and Dividend Income tax
- 8.4 Understand the difference between dividend distribution tax and capital gains tax
- 8.5 Understand the basics of Setting off Gains and Losses under Income Tax Act
- 8.6 Understand about Securities Transaction Tax
- 8.7 Understand about Tax benefit under Section 80C of the Income Tax Act for investment pertaining to mutual funds
- 8.8 Understand about Tax Deducted at Source (TDS) in mutual funds
- 8.9 Understand Applicability of GST in mutual funds

Unit 9: Investor Services

- 9.1 Describe the NFO Process
- 9.2 Explain about the New Fund Offer Price /On-going price for subscription
- 9.3 Discuss Different types of investment plans and options
 - 9.3.1 Understand the Difference between Direct and Regular Plans
 - 9.3.2 Differentiate the features of a dividend payout, dividend re-investment and growth options
- 9.4 Explain how the mutual fund units are allotted to the investor
- 9.5 Describe the content and periodicity of Statement of Accounts for investments
- 9.6 Describe different types of Mutual Fund Investors
- 9.7 Explain how to fill in the application form for mutual funds
- 9.8 Describe the financial transactions with mutual funds (Purchase, Redemption and Switches)
 - 9.8.1 Describe the different payment mechanisms for purchasing mutual fund units
 - 9.8.2 Explain the different payment mechanism for repurchase of units
- 9.9 Explain Cut-off time and Time Stamping
- 9.10 Describe the KYC requirement for mutual fund investors
 - 9.10.1 Explain the concept of KYC and list the documents required for KYC compliance
 - 9.10.2 Explain about KYC Registration Agencies
 - 9.10.3 Explain the process of KYC for Minors/NRI/PoA holder
 - 9.10.4 Describe the additional documentation requirements applicable to institutional investors
 - 9.10.5 Explain Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)
- 9.11 Explain the different types of systematic transactions
 - 9.11.1 Describe Systematic investment plan (SIP)
 - 9.11.2 Describe Systematic Withdrawal Plan (SWP)
 - 9.11.3 Describe Systematic transfer plan (STP)
 - 9.11.4 Know about Switch
 - 9.11.5 Describe Dividend Transfer Plan (DTP)
- 9.12 Explain operational aspects of systematic transactions
- 9.13 Explain Non – Financial Transactions in Mutual Funds
 - 9.13.1 Explain Nomination
 - 9.13.2 Explain Pledge/ lien of units

- 9.13.3 Understand the concept of Demat Account
- 9.13.4 Explain change in folio details
- 9.13.5 Explain Transmission of units
- 9.14 Discuss change in Status of Special Investor Categories
 - 9.14.1 Minor turned Major
 - 9.14.2 NRI to Resident Indian
 - 9.14.3 Change in Karta of HUFs
- 9.15 Explain Investor Transactions – turnaround times

Unit 10: Risk, Return and Performance of funds

- 10.1 Understand the General and Specific Risk Factors
 - 10.1.1 Specify General Risk Factors
 - 10.1.2 Specify Specific Risk Factors
- 10.2 Explain the Factors that affect mutual fund performance
 - 10.2.1 Compare market / systematic risk and company specific risk
- 10.3 Describe Drivers of Returns and Risk in mutual fund Scheme
 - 10.3.1 Explain the Factors that affecting performance of Equity Schemes
 - 10.3.2 Explain the Factors that affecting performance of Debt Schemes
 - 10.3.3 Explain the Factors that affecting performance of Gold Funds
 - 10.3.4 Explain the Factors that affecting performance of Real estate funds
- 10.4 Understand the Measures of Returns
 - 10.4.1 Discuss the Simple Return
 - 10.4.2 Discuss the Annualized Return
 - 10.4.3 Discuss the Compounded Return
- 10.5 Know about the SEBI norms regarding representation of returns by mutual funds in India
- 10.6 Explain risks in fund investing with a focus on investors
 - 10.6.1 Identify the sources of risk in an equity funds
 - 10.6.2 Identify the sources of risk in a debt funds
 - 10.6.3 Identify the sources of risk in hybrid funds
 - 10.6.4 Identify the sources of risk in Gold Funds
 - 10.6.5 Identify the sources of risk in Real Estate Funds
- 10.7 Understand the Measures of Risk
 - 10.7.1 Understand the concept of Variance
 - 10.7.2 Understand the concept of Standard Deviation
 - 10.7.3 Understand the concept of Beta
 - 10.7.4 Understand the concept of Modified Duration
 - 10.7.5 Understand the concept of Weighted Average Maturity
 - 10.7.6 Understand the concept of Credit Rating
- 10.8 Explain certain provisions with respect to Credit risk
 - 10.8.1 Understand the Gating or restriction on redemption in mutual funds
 - 10.8.2 Explain segregated portfolios or side pocketing

Unit 11: Mutual Fund Scheme Performance

- 11.1 Explain the concept of Benchmarks
- 11.2 Compare Price Return Index and Total Return Index
- 11.3 Identify the Basis of choosing an appropriate performance benchmark
- 11.4 Describe the use of market benchmarks to evaluate Equity Fund Performance
- 11.5 Describe the use of market benchmarks to evaluate Debt Fund Performance
- 11.6 Describe the use of market benchmarks to evaluate Other Schemes
- 11.7 Explain Quantitative Measures of Fund Manager Performance

- 11.7.1 Know about Sharpe Ratio
- 11.7.2 Know about Treynor Ratio
- 11.7.3 Know about Alpha
- 11.8 Define Tracking Error
- 11.9 Understand the different Sources for disclosure of scheme performance (Scheme documents, AMFI and AMC website and Fund Fact Sheet)

Unit 12: Mutual Fund Scheme Selection

- 12.1 Explain Scheme Selection based on Investor needs, preferences and risk-profile
- 12.2 Explain Risk Levels in mutual fund schemes
- 12.3 Explain Scheme Selection based on investment strategy of mutual funds
- 12.4 Explain Selection of Mutual Fund scheme offered by different AMCs or within the scheme category
- 12.5 Know about selecting options in mutual fund schemes
- 12.6 Know about Do's and Don'ts while selecting mutual fund schemes